ECCLESIA LAW

Private Ecclesiastical Counsel
United States & International

BANKS AS NOMINEES, SECURITISATION, AND THE "CASINO" ANALOGY OF MODERN BANKING PROCEEDS

Introduction

Since the abandonment of the gold standard and the enactment of **House Joint Resolution 192 (1933)**, monetary obligations in the United States have been discharged in **fiat credit**, not specie. This change marked a structural shift in banking: credit creation became detached from physical reserves and increasingly reliant on **promissory obligations**, **securitisation**, and **derivative trading**.

Within alternative finance and ecclesiastical-law research frameworks, modern banks are described as operating primarily as **nominees and intermediaries**, rather than as true beneficial owners of the underlying credit instruments. In this view, banks monetise signatures and payment streams, then **position themselves as creditors through first-in-time reporting and securitisation**, capturing profits generated by trading expectations of payment.

This report expands on that thesis by examining:

1. The nominee role of banks in relation to debt instruments;
2. The reporting architecture under **IRS Publication 1212** and related forms;
3. The use of **Form 945** and its inclusion of gambling winnings;
4. The analytical basis for the **casino analogy**; and
5. The strategic implications claimed by alternative finance theorists.

Ecclesia Law is a trading style of **MLITR Research LLC**, Wyoming, USA.
Ecclesia Law operates exclusively under **Attorney-in-Fact mandates** granted by its clients through private powers of attorney, trust indentures, fiduciary appointments, and private contracting structures. Ecclesia Law acts as a **private legal agent**, not as a BAR-regulated public law practice

ECCLESIA LAW

1. Banks as Nominees for Debt Instruments

1.1 Nominee vs Beneficial Ownership

In orthodox financial law, a **nominee** holds or reports an asset **on behalf of another**, without being the beneficial owner. Ecclesia Law research highlights that banks often act in a **nominee capacity** when reporting income derived from debt instruments created by borrowers.

Key elements cited include:

- **Borrower-created instruments**: Promissory notes, mortgages, and similar obligations are executed by the borrower's signature.
- **Bank intermediation**: The bank books the instrument as an asset, despite not advancing pre-existing capital in a traditional sense.
- **Tax reporting posture**: Banks frequently file information returns as **withholding agents or nominees**, rather than as originators of the underlying credit.

1.2 IRS Forms and Nominee Positioning

Banks commonly interact with the IRS through:

- **Form 1099-OID** – Original Issue Discount reporting;
- **Form 1099-A** – Acquisition or abandonment of secured property;
- **Form 945** – Annual return of withheld federal income tax (non-payroll).

IRS Publication 1212 explains that OID may be reported by nominees where the filer is not the true beneficial owner, and that corrections are required if the reporting party is not the proper creditor.

Implication asserted in alternative frameworks:
The borrower's signature creates the instrument, but the bank **asserts creditor status through filing**, thereby positioning itself as the income recipient unless corrected.

Ecclesia Law is a trading style of **MLITR Research LLC**, Wyoming, USA.
Ecclesia Law operates exclusively under **Attorney-in-Fact mandates** granted by its clients through private powers of attorney, trust indentures, fiduciary appointments, and private contracting structures. Ecclesia Law acts as a **private legal agent**, not as a BAR-regulated public law practice

ECCLESIA LAW

2. Securitisation, CUSIPs, and Secondary Markets

2.1 From Instrument to Security

Once originated, debt instruments are frequently:

- pooled;
- assigned **CUSIP identifiers**;
- transformed into **mortgage-backed securities (MBS)**, **asset-backed securities (ABS)**, or **collateralised loan obligations (CLOs)**;
- sold and resold in secondary markets.

This process separates the **economic benefit of the instrument** from the original bilateral relationship between borrower and lender.

2.2 Trading Expectations Rather Than Tangible Assets

In this architecture:

- The underlying instrument represents an **expectation of future payment**.
- Market participants trade **risk, yield, and probability**, not physical goods.
- Profits arise from **price movement, spreads, and derivatives**, rather than from productive lending.

It is this speculative layer that gives rise to comparisons with wagering systems.

---

3. IRS Form 945 and the "Gambling Proceeds" Category

3.1 Purpose of Form 945

Form 945 is used to report federal income tax withheld on **non-payroll payments**, including:

- interest;
- dividends;
- pensions and annuities;
- certain distributions;
- **gambling winnings**.

The inclusion of gambling winnings reflects Congress's recognition that **speculative gains** require withholding and reporting mechanisms distinct from wages.

3.2 Application to Securities Income

Banks use Form 945 to reconcile withheld tax on **securities-related income** where withholding applies. Alternative finance analysis highlights that:

- speculative gains from securitisation and derivatives are reported under the same **non-payroll withholding framework** as gambling winnings;
- both categories involve **probabilistic outcomes**, not guaranteed returns.

---

4. The Casino Model of Banking

The "casino" model is used to illustrate functional similarities between speculative finance and wagering systems.

Ecclesia Law is a trading style of **MLITR Research LLC**, Wyoming, USA.
Ecclesia Law operates exclusively under **Attorney-in-Fact mandates** granted by its clients through private powers of attorney, trust indentures, fiduciary appointments, and private contracting structures. Ecclesia Law acts as a **private legal agent**, not as a BAR-regulated public law practice

Casino Element	Banking Equivalent	Explanation
Chips	Borrower's signature / promissory note	The instrument that enables participation
Table	Securitisation pool (MBS, ABS, CLO)	Where instruments are aggregated
Player	Borrower / signer	Provides the instrument, not the strategy
House	Bank acting as nominee	Controls structure and reporting
Winnings	Spreads, OID, derivatives	Gains from probabilistic outcomes
Pit Boss	IRS reporting framework	Ensures taxable events are captured
Form 945	Gambling-winnings category	Administrative treatment of speculative gains

This model underscores the **asymmetry of knowledge and control**: the signer supplies the instrument, while the bank designs and profits from the system.

---

5. Flow of Credit and Reporting

1. **Borrower's signature** creates a negotiable obligation.
2. The obligation is booked as a **bank asset**.
3. The asset is **securitised and assigned a CUSIP**.
4. It enters **secondary market trading**.
5. **Speculative gains** arise from trading and derivatives.
6. **Withholding and reporting** occur via IRS mechanisms.
7. Income is reconciled under **Form 945**, within the non-payroll framework that includes gambling winnings.

Ecclesia Law is a trading style of **MLITR Research LLC**, Wyoming, USA.
Ecclesia Law operates exclusively under **Attorney-in-Fact mandates** granted by its clients through private powers of attorney, trust indentures, fiduciary appointments, and private contracting structures. Ecclesia Law acts as a **private legal agent**, not as a BAR-regulated public law practice

6. Strategic Implications

6.1 Silence vs Assertion

- **Silence = Debtor posture**: If the original signer does not challenge nominee reporting, the bank remains positioned as the income recipient.
- **Assertion = Creditor posture**: Alternative frameworks argue that correcting reporting reasserts the signer's role as the source of credit.

6.2 Systemic Critique

The casino analogy is used to critique:

- the **non-productive nature** of speculative finance;
- the reliance on **expectations and leverage** rather than real capital;
- the concentration of gains with intermediaries rather than originators.

Conclusion

Modern banking operates through **credit creation, securitisation, and speculative trading of debt instruments**, with banks frequently acting as **nominees and reporting intermediaries**. IRS mechanisms—particularly **Form 945**—provide the administrative infrastructure for capturing tax on non-payroll, speculative income, including securities distributions and gambling winnings.

The **casino analogy** highlights structural similarities between speculative finance and wagering systems: the public supplies the instruments, intermediaries design the games, and profits accrue to the house. This analysis offers a powerful lens for understanding how modern banking profits are generated and reported.

In Ecclesia Law's analysis, this underscores a central tension of contemporary finance: a system legally structured, administratively compliant, yet economically detached from tangible production—where expectations, probabilities, and reporting positions define outcomes.

Ecclesia Law is a trading style of **MLITR Research LLC**, Wyoming, USA.
Ecclesia Law operates exclusively under **Attorney-in-Fact mandates** granted by its clients through private powers of attorney, trust indentures, fiduciary appointments, and private contracting structures. Ecclesia Law acts as a **private legal agent**, not as a BAR-regulated public law practice